THE FOREST INDUSTRY SNAPSHOT:

Ministry of Forests, Lands and Natural Resource Operations

May 2012

A Selection of Monthly Economic Statistics

BRITISH COLUMBIA

Points of interest:

Special Committee Formed on B.C. Mid-term Timber Supply

A Special Committee on Timber Supply was appointed by the Legislative Assembly on May 16, to examine and make recommendations with respect to mid-term timber supply for B.C., as a result of the mountain pine beetle infestation in the central interior of B.C.

The infestation is the largest in North America's recorded history. An estimated **18.1 million hectares** in B.C. have been affected and an estimated cumulative total of **710 million cubic metres** of timber have been killed, equivalent to about 14 years of interior timber harvests. Since 2001, the provincial government has committed **$884 million** to battle the mountain pine beetle and mitigate its impacts.

The committee's **terms of reference** are to specifically consider recommendations that could increase timber supply, including direction on the potential scope of changes to land-use objectives, rate of harvest and conversion of volume-based tenures to area-based tenures. The committee is also to consider whether any changes to legislation are required.

The **members** of the Special Committee are seven MLAs from different regions in B.C. The committee is supported by a **technical advisory committee** that includes former provincial chief foresters. The committee conducted public consultations and will deliver a report by August 15, 2012.

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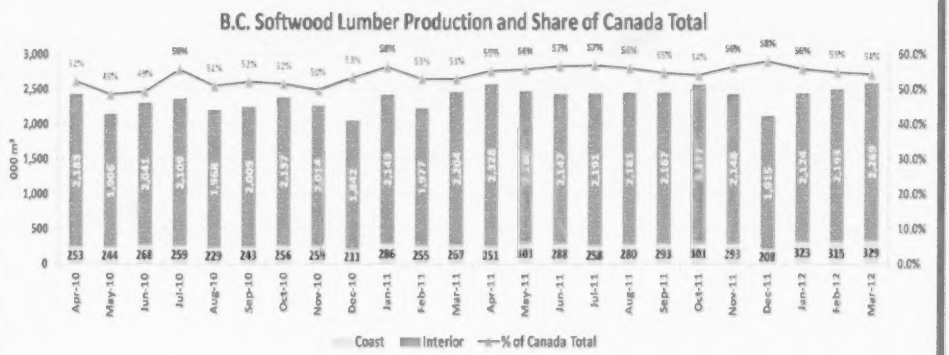
SOFTWOOD LUMBER MARKET



Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, seasonally adjusted annual rate.

- **U.S. privately-owned housing starts** in May were at a seasonally adjusted annual rate of 708,000. This is 4.8% below the revised April rate, and is 28.5% above the May 2011 rate. **Sales of new homes** in the U.S. were at a seasonally adjusted annual rate of 343,000 in April 2012, up 3.3% M/M and up 9.9% Y/Y. **U.S.** seasonally adjusted **unemployment rate** was 8.2% in May 2012, down from 9.0% one year ago. (*from U.S. Census Bureau and U.S. Bureau of Labour Statistics*).
- **SPF 2x4 price** increased further to US$305 ($308) in May 2012, up 9.0% M/M and up 37.8% Y/Y. The Canadian dollar averaged $1.0098 per US$ in May 2012.
- In March 2012, **B.C. softwood lumber production** totalled 2.60 million m³, up 3.6% M/M and up 5.2% Y/Y. 87.3% of the production was from the Interior.
- In April 2012, **B.C. softwood lumber export value** totalled $337 million, down 4.0% Y/Y. **B.C. softwood lumber export volume** totalled 2.02 million m³, down 6.0% Y/Y. The top three destinations for softwood lumber exports in April 2012 were: U.S. (value: 45.0%; volume: 47.3%), China (value: 25.3%; volume: 32.4%), and Japan (value: 17.0%; volume: 11.2%).

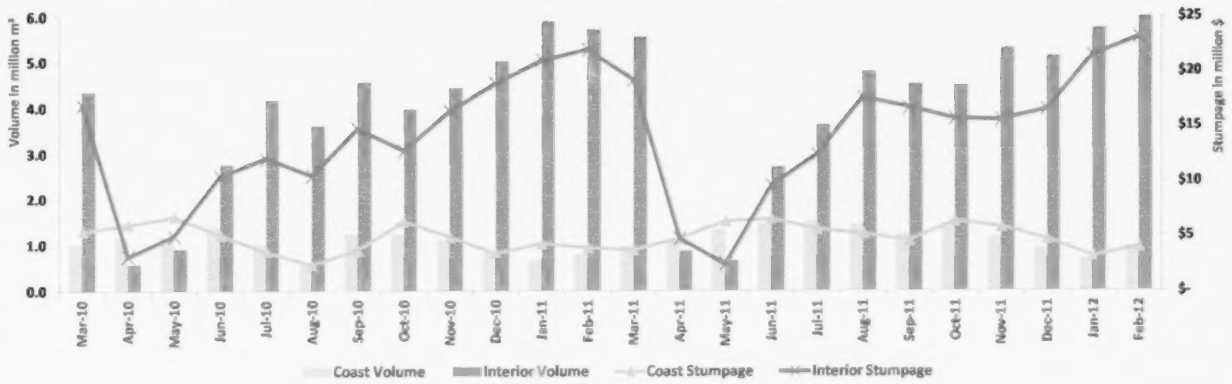
Common Abbreviations:

**$** - Canadian dollars unless noted as US$
China - refers to China, including Hong Kong
M/M - % change from the previous to current month
Y/Y - % change from the same month in the previous year to the current year
YTD - year to date

 The information in this report was compiled from a variety of sources by the MFLNRO Competitiveness and Innovation Branch. Data contained in this report is not intended to have any predictive capacity.

HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue Collected



Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations

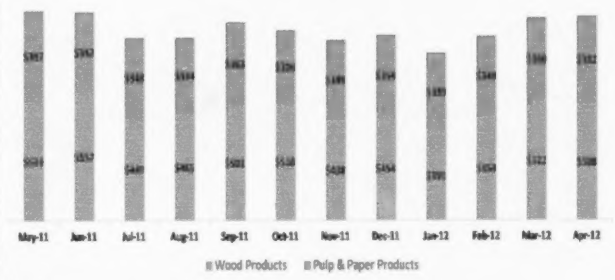
**Based on scale data, all logs (BCTS & Major tenures), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST **harvest volume** for all land (including Crown, private and federal) totalled 1.44 million m³ in February 2012, up 18.8% Y/Y. Crown land harvest volume totalled 0.97 million m³, up 21.3% Y/Y. **Stumpage revenue** collected was $3.97 million in February 2012, up 1.9% Y/Y.

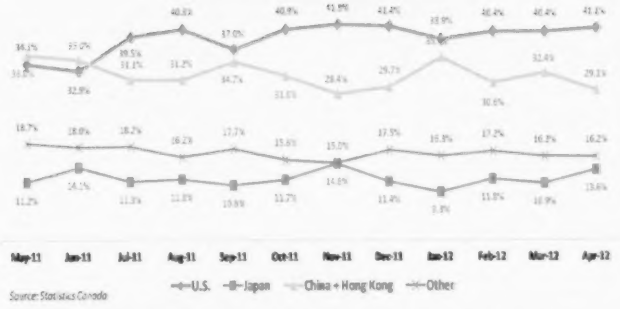
INTERIOR **harvest volume** for all land (including Crown, private and federal) totalled 6.10 million m³ in February 2012, up 5.8% Y/Y. Crown land harvest volume totalled 5.99 million m³, up 5.1% Y/Y. **Stumpage revenue** collected was $23.06 million in February 2012, up 5.1% Y/Y.

EXPORTS

B.C. Forest Product Export Value ($million) by Sector



Share of B.C. Forest Product Export Value



Source: Statistics Canada

B.C. forest product exports totalled $889 million in April 2012, up 0.8% M/M, up 3.7% Y/Y, and up 1.0% YTD from 2011:

- **Wood product exports** totalled $508 million in April, down 2.7% M/M, up 3.2% Y/Y, and up 3.6% YTD from 2011; and
- **Pulp & paper product exports** totalled $382 million in April, up 5.9% M/M, up 4.3% Y/Y, and down 2.2% YTD from 2011.
- **Export value shares by product** in April 2012: Softwood Lumber (37.9%), Logs (5.3%), Other Wood Products (13.9%), Pulp (31.7%), and Other Pulp & Paper Products (11.2%).

In April 2012, **U.S. was the largest destination market** for B.C. forest product exports value with a share of 41.4%, while China accounted for 29.1%, Japan accounted for 13.6% and other destinations accounted for 16.2%.

- **Exports to U.S.** totalled $366 million, up 2.7% M/M, up 12.1% Y/Y and up 6.4% YTD from 2011.
- **Exports to China** totalled $259 million, down 9.4% M/M, down 11.5% Y/Y and down 2.8% YTD from 2011.
- **Exports to Japan** totalled $121 million, up 25.2% M/M, up 17.6% Y/Y and up 4.2% YTD from 2011.

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DATA SUMMARY

Selected Monthly Economic Statistics - May 2012

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices *(US$/000 bd ft)*									
SPF 2x4	*May 12*	**$305**	$280	9.0%	$222	37.8%	$269	$289	-7.1%
Random Lengths Lumber Composite	*May 12*	**$338**	$303	11.7%	$259	30.5%	$291	$292	-0.2%
SPF 2x10	*May 12*	**$357**	$315	13.3%	$261	37.1%	$310	$326	-4.8%
SPF Stud	*May 12*	**$353**	$297	18.8%	$231	52.4%	$275	$273	0.7%
Cedar 2x4	*May 12*	**$720**	$635	13.4%	$630	14.3%	$631	$647	-2.4%
Hemlock Squares	*May 12*	**$805**	$805	0.0%	$815	-1.2%	$814	$793	2.7%
Panel Prices *(US$/000 sq ft)*									
Plywood	*May 12*	**$371**	$348	6.5%	$295	25.8%	$331	$310	6.9%
OSB	*May 12*	**$229**	$213	7.6%	$195	17.3%	$207	$204	2.0%
Pulp & Paper Prices *(US$/tonne)*									
NBSK Pulp	*May 12*	**$853**	$850	0.3%	$1,010	-15.5%	$837	$963	-13.2%
Newsprint (U.S. Eastcoast)	*May 12*	**$622**	$623	-0.1%	$625	-0.4%	$623	$627	-0.5%
$/US$ Exchange Rate	*May 12*	**1.0098**	0.9926	1.7%	0.9680	4.3%	0.9991	0.9791	2.0%
Housing Starts *(000 units)*									
U.S. (Seasonally Adjusted Annual Rates)	*May 12*	**708**	744	-4.8%	551	28.5%	719	571	26.0%
Canada	*May 12*	**211**	244	-13.3%	190	11.4%	215	182	17.8%
Japan (Wood-based)	*Apr 12*	**37**	36	4.2%	35	5.2%	143	140	2.4%
B.C. Timber Harvest Volume** *(000 m^3)*	*Feb 12*	**7,545**	6,904	9.3%	6,951	8.5%	14,448	14,002	3.2%
Coast Crown land	*Feb 12*	**968**	693	39.8%	799	21.3%	1,661	1,483	12.0%
Interior Crown land	*Feb 12*	**5,991**	5,736	4.4%	5,702	5.1%	11,727	11,595	1.1%
Total private/federal land	*Feb 12*	**586**	475	23.4%	451	30.0%	1,060	924	14.7%
B.C. Lumber Production *(000 m^3)*	*Mar 12*	**2,598**	2,508	3.6%	2,470	5.2%	7,553	7,131	5.9%
Coast	*Mar 12*	**329**	315	4.4%	267	23.4%	967	808	19.7%
Interior	*Mar 12*	**2,269**	2,193	3.5%	2,204	3.0%	6,586	6,323	4.2%
B.C. Market Pulp Shipments *(000 tonne)*	*Apr 12*	**405**	415	-2.4%	366	10.7%	1,613	1,529	5.5%
B.C. Forest Product Manufacturing Sales *(million $)*	*Apr 12*	**$945**	$1,039	-9.1%	$985	-4.1%	$3,548	$3,802	-6.7%
Wood Products	*Apr 12*	**$526**	$538	-2.2%	$526	0.1%	$1,941	$1,993	-2.6%
Pulp & Paper Products	*Apr 12*	**$418**	$501	-16.5%	$459	-8.8%	$1,607	$1,809	-11.2%
B.C. Forest Product Export Value *(million $)*	*Apr 12*	**$889**	$882	0.8%	$858	3.7%	$3,304	$3,271	1.0%
Wood Products *(incl. log exports)*	*Apr 12*	**$508**	$522	-2.7%	$492	3.2%	$1,875	$1,809	3.6%
Pulp & Paper products	*Apr 12*	**$382**	$360	5.9%	$366	4.3%	$1,429	$1,462	-2.2%
Shares of B.C. Forest Product Export Value *(%)*									
U.S.	*Apr 12*	**41.1%**	40.4%	1.8%	38.0%	8.1%	40.3%	38.2%	5.4%
China	*Apr 12*	**29.1%**	32.4%	-10.2%	34.1%	-14.7%	31.8%	33.0%	-3.8%
Japan	*Apr 12*	**13.6%**	10.9%	24.2%	12.0%	13.4%	11.5%	11.1%	3.2%
Other	*Apr 12*	**16.2%**	16.2%	-0.4%	15.9%	2.0%	16.5%	17.7%	-6.6%
B.C. Stumpage *(million $)*	*Feb 12*	**$27.0**	$24.6	10.0%	$25.8	4.6%	$51.6	$51.1	1.0%
Coast	*Feb 12*	**$4.0**	$3.1	26.8%	$3.9	1.9%	$7.1	$8.2	-13.2%
Interior	*Feb 12*	**$23.1**	$21.4	7.6%	$21.9	5.1%	$44.5	$42.9	3.7%
B.C. Forest Sector Employment (LFS) *(000 jobs)*	*May 12*	**57.2**	57.1	0.2%	55.3	3.4%	51.7	53.6	-3.4%
Forestry & Logging	*May 12*	**20.3**	18.3	10.9%	13.9	46.0%	15.8	11.8	34.7%
Wood Products	*May 12*	**24.7**	25.9	-4.6%	32.5	-24.0%	25.5	31.9	-19.9%
Paper Products	*May 12*	**12.2**	12.9	-5.4%	8.9	37.1%	10.4	9.9	4.4%

** based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year. ** Preliminary data and subject to change.*

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